
Tobin & Co.

Solon Township

Leelanau County, Michigan

Audit Report

For the Year Ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Solon Township	County Leelanau
Audit Date 3/31/06	Opinion Date 9/19/06	Date Accountant Report Submitted to State: 9/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

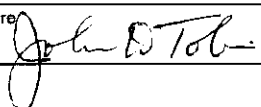
- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.

400 E. EIGHTH ST.

Certified Public Accountant (Firm Name) TRAVERSE CITY, MI 49686-2668			
Street Address 231-947-0151		City	State ZIP
Accountant Signature 			Date 9/27/06

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Solon Township, Leelanau County, for the year ended March 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Solon Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Records were maintained in good order by your Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in proper order, bank account balances agreed, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2005-2006 are commendable.

Budgets and Procedures

The Township prepared and adopted budgets for its General Fund. There were no budgets passed for Special Revenue Funds since there were no planned expenditures.

Property Tax Collections

The collection and distribution of the 2005 tax levy was handled well by the Township Treasurer. Paid receipts were filed in order of payment. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements.

There is a schedule in the Supplemental Data Section which reflects the amount levied, collected and returned delinquent for the 2005 property tax levy.

Capital Assets

Note 6 reflects the activity of capital assets during the audit year. An inventory of the capital assets should be performed annually. The GASB #34 reporting format requires that capital assets now be depreciated over their useful lives.

Insurance and Surety Bond Coverage

Records indicate that the Township has insurance coverage for fire and extended coverage, general liability, errors and omissions, workmen's compensation, equipment and crime coverage. Board minutes indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies, as well as the Supervisor, have specific surety bond coverage.

Payroll Procedures

Payroll procedures and filing of payroll tax returns were handled in a proper manner by the Township Clerk.

Other Data

Surplus funds were invested during the year in interest bearing bank accounts and in Bank One Trust Department which invests in securities that are legal investments for local units of government. This practice resulted in earned interest of over \$3,700 for the year. We commend the Treasurer and other Board members for the practices and policies which resulted in this additional revenue.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Solon Township
Leelanau County
Cedar, Michigan 49621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solon Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Solon Township, Leelanau County at March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by Governmental Accounting Standards Board Statement 34. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Solon Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
September 19, 2006

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Solon Township Management Discussion and Analysis Letter

As the Township Board of the Solon Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Solon Township for the fiscal year ended March 31, 2006.

Financial Highlights

The assets of Solon Township exceeded its liabilities at the close of the most recent fiscal year by \$209,688. Of this amount, \$195,693 may be used to meet the Township's ongoing General Fund obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$189,481, an increase of \$17,767 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$120,673, or 66% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Solon Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include: general government, public safety, road projects, and township improvements. The business-type activities of the Township include sewer and marina operations.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Solon Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Solon Township maintains its individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, and Roof Repair Fund, which are considered to be major funds. Non-major funds are Road, Fire Truck, Computer Equipment, Sidewalk, and DDA funds. All Township government activities are included in these two funds plus five non-major governmental funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.

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Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund Analysis and Highlights

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the total fund balance was \$120,673. Unreserved fund balance represents 66% of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$16,210 during the current fiscal year.

The original budget and the final budget were identical. No increase or decrease in appropriations of the total budget was made during the year.

The total dollars spent in General Fund activities was \$89,420 more than appropriated.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services.

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Roof Repair Fund

The Roof Repair fund is maintained by the Township to pay for specific improvements to the Township Hall roof. Major revenues for this fund are operating transfers from the General Fund. At the end of the current fiscal year, the total fund balance was \$25,285. The fund balance of the Township's Roof Repair fund increased by \$649 during the current fiscal year.

Capital Asset and Debt Administration

Capital assets: The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$13,995. This investment in capital assets includes: several parcels of land, Township hall, and park and other equipment. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives in government-wide financial statements. This fiscal year the amount by which depreciation exceeded capital outlays was \$1,307.

Cash Assets: At the end of the current fiscal year, the Township had \$191,234 in cash and other spendable assets. Of this amount, \$131,214 (69%) was held in time deposits at banks or investments at a bank trust department and was earning interest; \$43,695 (23%) was invested in mutual funds, \$87,519 (46%) was invested in savings accounts and in certificates of deposit; and the remainder was held in the Township's checking account. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

Long-term Debt: At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Pension Plan: Township employees have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to 7% of each participating employee's wage on behalf of each participating employee. This is an expensed item in the budget and totaled \$6,859 for the fiscal year. The Township provided health insurance for one employee.

Requests for Information

This financial report is designed to provide a general overview of Solon Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Shirley Mikowski, Solon Township Clerk, P. O. Box 253, Cedar, MI 49621-0253.

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Solon Township Statement of Net Assets March 31, 2006

<u>Assets</u>		Governmental Activities And Total
Cash and Cash Equivalents		\$ 147,539
Investments		43,695
Taxes Receivable		6,212
Capital Assets:		
Land	\$ 8,481	
Other Capital Assets, Net of Depreciation	<u>5,514</u>	<u>13,995</u>
Total Assets		<u>211,441</u>
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses		<u>1,753</u>
Total Liabilities		<u>1,753</u>
<u>Net Assets</u>		
Invested in Capital Assets and Intangible Assets		13,995
Unrestricted		<u>195,693</u>
Total Net Assets		<u>\$ 209,688</u>

See Accompanying Notes to Basic Financial Statements

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Solon Township Statement of Activities March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Fees and Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Legislative	\$ 16,429	\$ -	\$ -	\$ (16,429)
General Government	73,619	-	-	(73,619)
Public Safety	62,519	6,081	-	(56,438)
Public Works	25,046	-	-	(25,046)
Recreation and Cultural	<u>5,684</u>	<u>-</u>	<u>-</u>	<u>(5,684)</u>
Total Governmental Activities	<u>\$ 183,297</u>	<u>\$ 6,081</u>	<u>\$ -</u>	<u>(177,216)</u>
General Revenues:				
Property Taxes				78,052
Grants and Contributions Not Restricted to Specific Programs				107,671
Unrestricted Investment Earnings				3,059
Miscellaneous				<u>4,894</u>
Total General Revenues				<u>193,676</u>
Change in Net Assets				16,460
Net Assets – Beginning				<u>193,228</u>
Net Assets – Ending				<u>\$ 209,688</u>

See Accompanying Notes to Basic Financial Statements

Solon Township
Balance Sheet
Governmental Funds
March 31, 2006

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<u>Assets</u>	<u>General</u>	<u>Roof Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 81,798	\$ 25,285	\$ 40,456	\$ 147,539
Investments	40,628	-	3,067	43,695
Taxes Receivable – Current	6,212	-	-	6,212
Total	<u>\$ 128,638</u>	<u>\$ 25,285</u>	<u>\$ 43,523</u>	<u>\$ 197,446</u>
<u>Liabilities and Fund Equity</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 1,753	\$ -	\$ -	\$ 1,753
Deferred Revenue	6,212	-	-	6,212
Total	<u>7,965</u>	<u>-</u>	<u>-</u>	<u>7,965</u>
<u>Fund Equity:</u>				
Fund Balance – Reserved	-	25,285	43,523	68,808
Fund Balance – Unreserved	120,673	-	-	120,673
Total	<u>120,673</u>	<u>25,285</u>	<u>43,523</u>	<u>189,481</u>
Total Liabilities and Fund Equity	<u>\$ 128,638</u>	<u>\$ 25,285</u>	<u>\$ 43,523</u>	
Amounts reported for governmental activities on the statement of net assets are different because: Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.				13,995
Receivables of property taxes are not deferred in the statement of net assets.				6,212
Net assets of governmental activities.				<u>\$ 209,588</u>

See Accompanying Notes to Basic Financial Statements

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2006

	General	Roof Repair	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 78,052	\$ -	\$ -	\$ 78,052
Licenses and Permits	3,306	-	-	3,306
State Grants	107,671	-	-	107,671
Charges for Services	2,775	-	-	2,775
Interest and Rents	5,701	649	908	7,258
Other	695	-	-	695
Total	198,200	649	908	199,757
<u>Expenditures</u>				
Legislative	9,314	-	-	9,314
General Government	66,892	-	-	66,892
Public Safety	61,110	-	-	61,110
Public Works	25,046	-	-	25,046
Recreation and Cultural	5,684	-	-	5,684
Other	13,944	-	-	13,944
Capital Outlay	-	-	-	-
Total	181,990	-	-	181,990
Excess Revenues (Expenditures)	16,210	649	908	17,767
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	16,210	649	908	17,767
Fund Balance – Beginning of Year	104,463	24,636	42,615	171,714
Fund Balance – End of Year	\$ 120,673	\$ 25,285	\$ 43,523	\$ 189,481

See Accompanying Notes to Basic Financial Statements

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Solon Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Of Governmental Activities
For the Year Ended March 31, 2006

Net change in fund balances – total governmental funds	\$ 17,767
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>(1,307)</u>
Changes in net assets of governmental activities	<u>\$ 16,460</u>

See Accompanying Notes to Basic Financial Statements

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Solon Township
Statement of Fiduciary Net Assets
March 31, 2006

<u>Assets</u>	<u>Agency Funds</u>
Cash and Investments	<u>\$ 3,916</u>
Total Assets	<u>3,916</u>
 <u>Liabilities</u>	
Undistributed Taxes and Interest	<u>3,916</u>
Total Liabilities	<u>3,916</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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Solon Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Solon Township is a general law township located in Leelanau County, Michigan. Population as of the 2000 census was 1,547, and the current State equalized value and the taxable value is \$120,981,265 and \$69,530,993, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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Solon Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

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Solon Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings and Improvements	40 years
Vehicles	10 years
Furniture and Equipment	10 years
Office Equipment	5 years

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$120,981,265	\$ 69,530,993	.6340
Fire Protection	\$120,981,265	\$ 69,530,993	.4859

G. Investments

Township investments at March 31, 2006 consisted of investments with Bank One Investment Services.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Township considers all short-term debt securities purchased with a remaining maturity of three months or less when purchased to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Solon Township Notes to Financial Statements March 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no material violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2006.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2006, one cost center exceeded its budget without formal budget amendment.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) In repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) In obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$414,905 deposited with local financial institutions at March 31, 2006 with a carrying value of \$147,539. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$181,529 of uninsured deposits at March 31, 2006.

Investments of \$43,851 are carried at market value and are mutual funds which are legal for direct investment by local units of government in Michigan.

Tobin & Co.

Solon Township
Notes to Financial Statements
March 31, 2006

NOTE 4 - TAXES RECEIVABLE

Taxes receivable consist of 2005 property taxes returned delinquent to the County Treasurer in March 2006.

NOTE 5 - LOANS AND TRANSFERS BETWEEN FUNDS

During the year there were no transfers or loans between funds.

NOTE 6 - CAPITAL ASSETS

	<u>03/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>03/31/06</u>
Governmental Activities:				
Land and Improvements	\$ 8,481	\$ -	\$ -	\$ 8,481
Buildings and Improvements	26,349	-	-	26,349
Machinery and Equipment	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>5,750</u>
Total	40,580	-	-	40,580
Less Accumulated Depreciation	<u>(25,278)</u>	<u>(1,307)</u>	<u>-</u>	<u>(26,585)</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,302</u>	<u>\$ (1,307)</u>	<u>\$ -</u>	<u>\$ 13,995</u>

NOTE 7- INVENTORIES

Solon Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

NOTE 8 - PENSION PLAN

The Township has a defined contribution pension plan for Michigan Township employees through Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board resolution in July 1991:

A. Eligibility Requirements

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and full-time and part-time employees.

B. Contributions

1. 14% of annual compensation is funded annually – 7% by the Township and 7% by employees.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 50% of required annual contribution.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of services, death, disability, or normal retirement at age 65.

D. Plan Administration

1. The plan is administered by the Township Clerk.

During the year ended March 31, 2006, the total Township contribution for the plan year (September 16, 2005 to September 15, 2006) was \$6,859. Covered payroll for the year was \$48,993 with total payroll for all employees of \$49,870. The plan was funded at the required contribution amount.

Tobin & Co.

Solon Township
Notes to Financial Statements
March 31, 2006

NOTE 9 - COMPENSATED ABSENCES

Township employees do not earn compensated absences.

NOTE 10- CONTINGENT LIABILITIES

Township management is aware of no contingent liabilities on the part of the Township.

NOTE 11- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan and Burnham and Flowers Insurance Agency and Michigan Municipal League Workmen's Compensation Fund. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

Tobin & Co.

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Property Taxes - General	\$ 41,200	\$ 41,200	\$ 41,945	\$ 745
Current Property Taxes - Fire	32,000	32,000	31,144	(856)
Delinquent Property Taxes	4,500	4,500	4,963	463
Licenses and Permits	4,000	4,000	3,306	(694)
State Grants:				
State Shared Revenues	100,000	100,000	104,144	4,144
Metro Act	-	-	3,527	3,527
Charges for Services	1,000	1,000	2,775	1,775
Interest and Rents				
Earned Interest	1,000	1,000	2,151	1,151
Rents and Royalties	1,500	1,500	3,550	2,050
Other:				
Miscellaneous	-	-	695	695
Total Revenues	<u>185,200</u>	<u>185,200</u>	<u>198,200</u>	<u>13,000</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,300	-
Legal and Audit Services	-	-	1,821	-
Travel, Office and Other Expenses	-	-	4,193	-
Total	<u>22,000</u>	<u>22,000</u>	<u>9,314</u>	<u>12,686</u>
Total Legislative	<u>22,000</u>	<u>22,000</u>	<u>9,314</u>	<u>12,686</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	9,810	-
Office Supplies	-	-	28	-
Travel and Miscellaneous	-	-	930	-
Total	<u>10,610</u>	<u>10,610</u>	<u>10,768</u>	<u>(158)</u>
Elections:				
Salaries and Wages	-	-	748	-
Other Expenses	-	-	458	-
Total	<u>2,500</u>	<u>2,500</u>	<u>1,206</u>	<u>1,294</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 2

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Expenditures (Continued)</u>				
Assessor:				
Salaries and Wages	-	-	11,000	-
Supplies and Other Expenses	-	-	<u>3,135</u>	-
Total	<u>15,000</u>	<u>15,000</u>	<u>14,135</u>	<u>865</u>
Clerk:				
Salaries and Wages	-	-	10,000	-
Office Supplies	-	-	1,310	-
Telephone	-	-	571	-
Travel	-	-	197	-
Miscellaneous	-	-	<u>1,532</u>	-
Total	<u>14,000</u>	<u>14,000</u>	<u>13,610</u>	<u>390</u>
Board of Review:				
Salaries and Wages	-	-	845	-
Printing and Publishing	-	-	205	-
Other Expenses	-	-	<u>23</u>	-
Total	<u>1,200</u>	<u>1,200</u>	<u>1,073</u>	<u>127</u>
Treasurer:				
Salaries and Wages	-	-	11,500	-
Office Supplies	-	-	1,250	-
Telephone	-	-	589	-
Travel and Miscellaneous	-	-	<u>1,915</u>	-
Total	<u>16,500</u>	<u>16,500</u>	<u>15,254</u>	<u>1,246</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	1,339	-
Professional Fees	-	-	1,000	-
Public Utilities	-	-	2,835	-
Maintenance and Repairs	-	-	<u>3,291</u>	-
Total	<u>10,800</u>	<u>10,800</u>	<u>8,465</u>	<u>2,335</u>
Board of Appeals:				
Salaries and Wages	-	-	255	-
Printing and Publishing	-	-	162	-
Other Expenses	-	-	<u>415</u>	-
Total	<u>2,500</u>	<u>2,500</u>	<u>832</u>	<u>1,668</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Cemetery:				
Maintenance and Repairs	-	-	1,549	-
Total	3,300	3,300	1,549	1,751
Total General Government	76,410	76,410	66,892	9,518
Public Safety:				
Fire Protection and Ambulance:				
Contractual Services	-	-	44,780	-
Total	43,000	43,000	44,780	(1,780)
Planning and Zoning:				
Salaries and Wages	-	-	11,825	-
Office Supplies	-	-	759	-
Printing and Publishing	-	-	357	-
Professional Fees	-	-	240	-
Travel	-	-	630	-
Other Expenses	-	-	2,519	-
Total	29,500	29,500	16,330	13,170
Total Public Safety	72,500	72,500	61,110	11,390
Public Works:				
Roads	-	-	19,000	-
Street Lighting	-	-	6,046	-
Total Public Works	28,000	28,000	25,046	2,954
Recreation and Culture:				
Parks and Recreation:				
Repairs and Maintenance	-	-	5,684	-
Total Recreation and Culture	18,000	18,000	5,684	12,316

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2006

Schedule 1
Page 4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
Other:				
Insurance and Bonds	15,000	15,000	6,722	8,278
Pension, Social Security and Medicare	15,000	15,000	7,222	7,778
Capital Outlay	6,500	6,500	-	6,500
Contingency	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total	<u>41,500</u>	<u>41,500</u>	<u>13,944</u>	<u>27,556</u>
Total Expenditures	<u>258,410</u>	<u>258,410</u>	<u>181,990</u>	<u>76,420</u>
<u>Excess Revenues (Expenditures)</u>	<u>(73,210)</u>	<u>(73,210)</u>	<u>16,210</u>	<u>89,420</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (73,210)</u>	<u>\$ (73,210)</u>	16,210	<u>\$ 89,420</u>
Fund Balance – Beginning of Year			<u>104,463</u>	
Fund Balance – End of Year			<u>\$ 120,673</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Roof Repair Fund
For the Year Ended March 31, 2006

Schedule 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ -	\$ -	\$ 649	\$ 649
Total	-	-	649	649
<u>Expenditures</u>	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	-	-	649	649
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	\$ -	\$ -	649	\$ 649
Fund Balance -- Beginning of Year			24,636	
Fund Balance -- End of Year			\$ 25,285	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006

Schedule 3

<u>Assets</u>	<u>Road Fund</u>	<u>Public Improvement (Fire Truck) Fund</u>	<u>Computer Equipment Fund</u>	<u>Sidewalk Fund</u>	<u>DDA Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ -	\$ 11,671	\$ 14,184	\$ 13,479	\$ 1,122	\$ 40,456
Investments	<u>3,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,067</u>
Total Assets	<u>\$ 3,067</u>	<u>\$ 11,671</u>	<u>\$ 14,184</u>	<u>\$ 13,479</u>	<u>\$ 1,122</u>	<u>\$ 43,523</u>
<u>Liabilities and Fund Equity</u>						
Liabilities:						
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity:						
Fund Balance – Unreserved	<u>3,067</u>	<u>11,671</u>	<u>14,184</u>	<u>13,479</u>	<u>1,122</u>	<u>43,523</u>
Total	<u>3,067</u>	<u>11,671</u>	<u>14,184</u>	<u>13,479</u>	<u>1,122</u>	<u>43,523</u>
Total Liabilities and Fund Equity	<u>\$ 3,067</u>	<u>\$ 11,671</u>	<u>\$ 14,184</u>	<u>\$ 13,479</u>	<u>\$ 1,122</u>	<u>\$ 43,523</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
March 31, 2006

Schedule 4

	Road Fund	Public Improvement (Fire Truck) Fund	Computer Equipment Fund	Sidewalk Fund	DDA Fund	Total
<u>Revenues</u>						
Earned Interest	\$ 95	\$ 194	\$ 236	\$ 378	\$ 5	\$ 908
Total	95	194	236	378	5	908
<u>Expenditures</u>	-	-	-	-	-	-
Total	-	-	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	95	194	236	378	6	908
<u>Other Financing Sources (Uses)</u>						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
Total	-	-	-	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	95	194	236	378	5	908
Fund Balance – Beginning of Year	2,972	11,477	13,948	13,101	1,117	42,615
Fund Balance – End of Year	\$ 3,067	\$ 11,671	\$ 14,184	\$ 13,479	\$ 1,122	\$ 43,523

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended March 31, 2006

Schedule 5

<u>Assets</u>	<u>Balance 3/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
Cash	\$ 347	\$ 1,185,169	\$ 1,181,600	\$ 3,916
Total Assets	\$ 347	\$ 1,185,169	\$ 1,181,600	\$ 3,916
 <u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 347	\$ 1,185,169	\$ 1,181,600	\$ 3,916
Total Liabilities	\$ 347	\$ 1,185,169	\$ 1,181,600	\$ 3,916

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township 2005 Property Tax Levy and Collections For the Year Ended March 31, 2006

Schedule 6

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	3.7635	\$ 262,128	\$ 245,006	\$ 17,122
County Seniors	0.2535	17,653	16,246	1,407
County Road	0.4885	34,020	31,311	2,709
County BATA	0.3380	23,537	21,663	1,874
School District – Glen Lake				
Operating	15.0696	180,720	167,167	13,553
Debt	1.1500	32,455	30,405	2,050
School District – Traverse City				
Operating	18.4802	177,282	154,160	23,122
Debt	3.1000	128,418	116,759	11,659
Intermediate School District				
TBA	2.9589	206,085	189,680	16,405
State Education	6.0000	417,191	402,582	14,609
Township:				
General	0.6340	44,155	40,638	3,517
Fire	0.4859	<u>33,839</u>	<u>31,144</u>	<u>2,695</u>
Total		<u>\$ 1,557,483</u>	<u>\$ 1,446,761</u>	<u>\$ 110,722</u>
State Equalized Value		\$120,981,265		
Taxable Value		\$69,530,993		
Percent of Levy Collected		92.89%		

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Solon Township
Statement of Revenues and Expenditures
Property Tax Administration Fees
For the Year Ended March 31, 2006

Schedule 7

Revenues

Property Tax Administration Fees	\$ 28,731
Total Revenues	<u>28,731</u>

Expenditures

Assessor Expense (100%)	24,060
Board of Review Expense (100%)	1,483
Treasurer Expense (40%)	<u>10,223</u>
Total Expenditures	<u>35,766</u>
<u>Excess Revenues (Expenditures)</u>	(7,035)
<u>Accumulated Excess Revenues (Expenditures) – Prior Year</u>	<u>(77,380)</u>
<u>Accumulated Excess Revenues (Expenditures) – Accumulated</u>	<u>\$ (84,415)</u>

The Notes to the Financial Statements are an integral part of this statement.